

**ARIZONA CORPORATION COMMISSION
SPECIAL OPEN MEETING MINUTES**

DATE: July 23, 2004

TIME: 9:30 a.m.

PLACE: Arizona Corporation Commission, 1300 W. Washington St., Third Floor, Rooms A and B, Phoenix, Arizona 85007

ATTENDANCE: No Quorum of Commissioners. See attendance list in Attachment 1.

TOPIC: DSM WORKSHOP

MATTERS DISCUSSED:

Barbara Keene of the Commission Staff welcomed everyone. Each participant made a self-introduction.

The group then discussed how to incorporate environmental externalities into the cost effectiveness determination. Marshall Hunt of RHA distributed a handout that consisted of excerpts from *A Forecast of Cost Effectiveness Avoided Costs and Externality Adders* prepared for the California Public Utilities Commission.

Mr. Hunt explained how the environmental externality adder is an annual value, applied by hour according to implied heat rate. California decided not to look at coal because natural gas was considered to be the marginal fuel. In addition, water was not included. One participant suggested that there would be a need to look at specific units, such as those with dry cooling. Another participant suggested that we move forward with a qualitative approach toward environmental externalities. It was suggested that we quantify where reasonably possible; cost is not zero.

There was discussion about the effect on the environment from decreasing electricity use in Arizona. The unused power would probably be sent to California. However, there would be a net reduction of emissions in the California-Arizona region because the Arizona units would replace more expensive units in California. The more expensive California units might have more emissions. California emission reductions will benefit Arizona. For example, carbon dioxide is a world problem, and mercury is a regional problem.

It was mentioned that this group is not the right group to determine values of externalities. The issue could be dealt with when DSM plans are filed. Utilities could include proposed adders in their plans. Utilities could include the amount of estimated savings in emissions. The dollar value is very subjective.

Changes were made to the cost effectiveness section of the draft DSM policy to clarify that environmental costs should be quantified when possible, reasonable, and cost-efficient.

The group then continued discussion of other portions of the draft DSM policy:

Planning

Wording was added to consider air emissions and water consumption. Also, the plans would include a timeline for submitting programs for pre-approval when the program details were not included with the plans. There was disagreement about whether plans should be filed annually or biennially. Utilities want to file biennially; others want the plans filed annually. California requires biennial plans; other states require annual plans.

Policy Goal(s)

This section was put under a renamed *Goals and Objectives* section. Wording was added to give examples of policy goals.

Key Terms

David Berry of Western Resource Advocates provided a handout of proposed changes in definitions. Participants are to look over the definitions and bring comments to the next Workshop.

Fuel Neutrality

Wording was added to clarify that ratepayer-funded DSM programs should be developed and implemented in a fuel-neutral manner. There was considerable discussion about market share.

Parity and Equity

A phrase was added to clarify that all customer segments would have the opportunity to benefit from DSM. The group discussed the possibility of large customers opting out of paying the utility's charge for DSM. Mike McElrath of Phelps Dodge offered to prepare wording on this subject.

Jeff Schlegel from SWEEP reported that he is working on a revision to his document *Energy Efficiency Programs for Arizona DSM* that had previously been revised in February 2004.

Tom Hines from Arizona Public Service distributed two handouts: *How to keep the power flowing* by Chairman Marc Spitzer and *Saving a Little Available Light* by Patti Harper-Slaboszewicz.

Ms. Keene proposed adding a definition of "demand response" to the draft DSM policy.

John Ashe of ICF Consulting mentioned that Texas has developed nine templates on energy efficiency programs. Mr. Schlegel will look for program templates from other states. The Texas templates can be found at www.puc.state.tx.us/electric/projects/27647/27647.cfm.

Mr. Schlegel announced that the regional DSM conference will be held in Las Vegas on October 28-30, 2004. It will be hosted by Nevada Power. Also, the ACEEE conference will be held on August 22-27, 2004.

The next DSM Workshop will be held on August 20, 2004, from 9:30 a.m. to 4:00 p.m.

Barbara Keene
Utilities Division

Attendees at the DSM Workshop
On July 23, 2004

Attendee	Organization
John Ashe	ICF Consulting
David Berry	Western Resource Advocates
Jana Brandt	Salt River Project
Erin Casper	Arizona Corporation Commission Staff
Rebecca Chavez	Tucson Electric Power/UNS Electric
Tim Coley	Residential Utility Consumer Office
Dennis Criswell	Arizona Electric Power Cooperative
Linda Douglas	Tucson Electric Power
John Duncan	Arizona Public Service
Charlie Gohman	Arizona Energy Office
Tom Hines	Arizona Public Service
Frances Huchmala	Southwest Gas
Marshall Hunt	RHA
Barbara Keene	Arizona Corporation Commission Staff
Barb Klemstine	Arizona Public Service
Mike McElrath	Phelps Dodge
Mark McWhirter	Arizona Energy Office
Ernest Nedd	Residential Utility Consumer Office
Brian O'Donnell	Southwest Gas
Terry Orlick	Arizona Public Service
Amanda Ormond	Ormond Group
Jesus M. Reza	Morenci Water and Electric
Russ Romney	Martinez & Curtis
Jeff Schlegel	Southwest Energy Efficiency Project (SWEEP)
Kathy Senseman	Southwest Gas
Karen Smith	Salt River Project
Ray Williamson	Arizona Corporation Commission Staff
Martha Wright	Southwest Gas